GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:7220
ANSWERED ON:12.05.2000
ACCOUNTABILITY OF PGFIL AND SAHARA INDIA
BALIRAM

Will the Minister of FINANCE be pleased to state:

(a) whether the Peerless General Finance and Investment Limited and Sahara India Limitedare encouraging the public to deposit their money under various schemes;

(b) if so, whether the said companies have got permission from the Reserve Bank of India in this regard;

(c) if so, whether the Government is accountable to the public in case public money turns to be unrealizable in certain circumstances;

(d) if so, the details thereof;

(e) if not, the basis on which the permission was granted to the above companies; and

(f) the steps being taken by the Government to safeguard the interests of the public?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) Reserve Bank of India (RBI) have reported that encouraging public to deposit their money in various schemes is left to the companies within the ambit of RBI guidelines/directions issued from time to time.

(b) In terms of Section 45 IA of the Reserve Bank of India Act, registration of the Non Banking

Financial Companies (NBFCs) including Residuary Non-Banking Companies (RNBCs) with RBI has been made mandatory. RBI has reported that out of five Non-Banking Finance Companies (NBFCs) in the Sahara Group, three NBFCs namely Sahara India Financia Corporation Ltd., Sahara India Corporation Ltd. and Sahara India Investment Corporation Ltd.have been granted Certificates o Registration. The application for grant of certificate of Registration of Sahara India Ltd. and Sahara Investment India Ltd. have been kept pending by RBI as they have not achieved the minimum Net Owned Fund (NOF) of Rs.25.00 lakh. The other two companies in the group namely Sahara India Kuri Ltd. and Sahara India Mutual Benefit Company Ltd. do not require certificates of Registration from the RBI, being Chit fund company and notified Nidhi Company respectively.
Peerless General Finance Co. has been granted extension of time by RBI upto January 8, 2001 to attain the prescribed NOF of Rs. 25 lakhs for the purpose of considering its application for grant of certificate of Registration.

(c) RBI or the Government do not guarantee the repayment of Deposits.The company seeking deposits is required to make this position clear by incorporating a suitable disclaimer clause in the deposit application form and advertisement as per the extant regulations framed by RBI.

(d) Does not arise.

(e) & (f) RBI grants Certificates of Registration to the NBFCs after satisfying itself inter-alia that the grant of Certificate of Registration will be in public interest and that the company has adequate capital structure and earning prospects. RBI has put in place a comprehensive supervisory and regulatory framework aimed at safeguarding the interest of depositors in NBFCs/RNBCs. In addition, action has been initiated to enact new legislation which would focus significantly on depositor protection